

THE STATE OF NEW HAMPSHIRE

MERRIMACK, SS.

SUPERIOR COURT

99-E-0410

In the Matter of the Liquidation of
Tufts Health Plan of New England, Inc.

AFFIDAVIT OF TIMOTHY J. RYAN

Timothy J. Ryan, being duly sworn, deposes and says:

1. I am a Director of the Pace Group, Inc. ("Pace"), a nationally recognized firm of health care and managed care consultants that is assisting the Liquidator of Tufts Health Plan of New England, Inc. ("TNE"). I currently serve as a member of the Pace team of consultants that the Liquidator has retained, and I submit this affidavit in support of the Liquidator's motion to treat certain claims for unearned premium as administration costs under RSA 402-C:44.
2. Following entry of the Order of Liquidation on January 3, 2000, TNE policyholders were entitled by the provisions of R.S.A. 402-C:22 to an additional 30 days of coverage through February 2, 2000, in consideration of premium paid. For reasons of administrative necessity in order to provide coverage for the first two days of February, 2000 as required by RSA 402-C:22, it became necessary to bill and collect premium from policyholders for periods including days after February 2, up through the entire month of February.
3. The computer system used to administer TNE's business operations prepares invoice documents on a weekly basis to bill policyholders for monthly premiums, consistent with industry practice. The most common start dates of the monthly coverage periods are the first and the fifteenth of the month.
4. At the outset of this case, Pace reviewed the options available concerning invoicing and collecting premium for coverage periods that would end on February 2, 2000. Our analysis revealed that the number of computer programming hours required to achieve appropriate billing system modifications would be prohibitive, both in terms of the time available prior to the creation of invoices, and in terms of the cost of the programming. We therefore determined that in order to timely bill and receive payment for coverage for February 1 and 2, the invoices would have to include the customary amount of monthly premium regularly billed to the respective TNE subscribers. Thus, invoices for a coverage period

beginning on February 1 would necessarily include the premium for the period from February 3 through February 29, rather than simply for the period from February 1 through February 2. If the coverage period began on January 15, those invoices would necessarily include the period February 3 through February 14, rather than simply for the period from January 15 through February 2.

5. The Liquidator believes that it is equitable and appropriate under the foregoing circumstances to allow Class I treatment for unearned premium claims held by TNE policyholders for periods after February 2, 2000, so long as those claims were generated by TNE's premium invoices sent after the Petition Date pursuant to the Liquidator's instructions. TNE's administrative inability to bill such policyholders only for the first two days of February, 2000 (after which coverage ceased) rendered the payment premium for any period beyond February 2, 2000 essentially a cost of collecting the premium for February 1 through February 2, 2000.
6. According to information currently available to the Liquidator, there are a total of 984 holders of unearned premium claims for whom the Liquidator seeks Class I treatment, consisting of 99 individuals and 885 groups. Of the claims held by individuals, 33 claims are under \$50, and 32 claims are between \$50 and \$100; the amount of the individual claims ranges from \$29 to \$650, with the average claim being \$128. Of the 885 group claims, 278 are between \$50 and \$100. Thus, over one-third (35%) of the claims that are the subject of the Liquidator's motion are under \$100. The average amount of all such claims is \$223.
7. The Liquidator is not seeking Class I treatment for any unearned premium claims relating to coverage for any period of time prior to February 3, 2000, and I am unaware of any such claims that would qualify for the treatment requested in the Liquidator's motion. Such claims should be accorded Class II status.
8. Based on our most recent financial analysis of the amounts that would be paid to such policyholders if this motion were granted, the total amount will not exceed \$256,000. Our most recent projection for all allowable Class II policy-related claims shows this amount to be less than one-half of one percent of total Class II claims. Thus, the monetary impact of granting this motion on other claimants is quite small, while the hardship imposed on those who, without fault and by administrative necessity, paid for coverage after February 2, 2000, would be inequitable. The Liquidator believes this inequity would be compounded by the application of the \$50 deductible imposed on the allowed amount of all Class II claims pursuant to RSA 402-C:44.

Timothy J. Ryan

Sworn to and subscribed before me
this __ day of April, 2000.

Notary Public/Justice of the Peace

My commission expires: